

RIDE ON LA
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

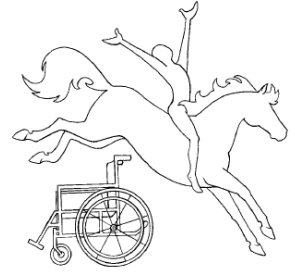
VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS



Ride On



Therapeutic Horsemanship

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RIDE ON LA
(A California Non-Profit Corporation)
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VASIN, HEYN & COMPANY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ride On LA
(A California Non-Profit Corporation)
Chatsworth, California

Report on the Financial Statements

We have audited the accompanying financial statements of Ride On LA (A California Non-Profit Corporation) which comprise the statement of financial position as of December 31, 2019, and the related comparative statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ride On LA as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 12 to the financial statements, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic on March 11, 2020 and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Change in Accounting Principle

As described in Note 2 to the financial statements, of Ride On LA has adopted ASU 2014-09 *Revenue from Contracts with Customers* and ASU 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We previously audited Ride On LA's 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Ride On LA.

Voein, Hryn + Co.

Calabasas, California
November 18, 2020

RIDE ON LA
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 330,322	\$ 175,216
Grants and fees receivable, net of allowance	44,683	10,488
Promises to give, net of allowance	2,013	5,013
Deposits and prepaid expenses	1,220	1,220
Property and equipment, net	<u>2,722,068</u>	<u>2,784,427</u>
 Total assets	 <u>\$ 3,100,306</u>	 <u>\$ 2,976,364</u>
 LIABILITIES		
Accounts payable and accrued expenses	\$ 24,131	\$ 4,835
Accrued payroll and related liabilities	47,975	33,733
Deferred revenue	19,187	10,203
Mortgage payable	<u>629,570</u>	<u>642,974</u>
 Total liabilities	 720,863	 691,745
 COMMITMENTS AND CONTINGENCIES		
 NET ASSETS		
Without Donor Restrictions:		
Designated for operating reserve	25,000	25,000
Undesignated	2,276,443	2,230,619
With Donor Restrictions	<u>78,000</u>	<u>29,000</u>
 Total net assets	 <u>2,379,443</u>	 <u>2,284,619</u>
 Total liabilities and net assets	 <u>\$ 3,100,306</u>	 <u>\$ 2,976,364</u>

See accompanying auditors' report and notes to financial statements.

RIDE ON LA
(A California Non-Profit Corporation)
COMPARATIVE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT						
Fees for services	\$ 724,409	\$ -	\$ 724,409	\$ 523,990	\$ -	\$ 523,990
Contributions and grants	161,559	105,000	266,559	125,666	30,000	155,666
Fundraising events	294,317	-	294,317	215,009	-	215,009
In-kind revenue	97,119	-	97,119	74,000	-	74,000
Interest and dividend income	1,248	-	1,248	1,026	-	1,026
Gain(loss) on sale of fixed assets	3,100	-	3,100	-	-	-
Other revenue	7,834	-	7,834	7,408	-	7,408
Restrictions released	<u>56,000</u>	<u>(56,000)</u>	<u>-</u>	<u>82,582</u>	<u>(82,582)</u>	<u>-</u>
Total revenue, support and restrictions released	1,345,586	49,000	1,394,586	1,029,681	(52,582)	977,099
EXPENSES						
Program services	1,156,133	-	1,156,133	890,266	-	890,266
Support services	70,307	-	70,307	65,435	-	65,435
Fundraising expenses	<u>73,322</u>	<u>-</u>	<u>73,322</u>	<u>73,045</u>	<u>-</u>	<u>73,045</u>
Total expenses	<u>1,299,762</u>	<u>-</u>	<u>1,299,762</u>	<u>1,028,746</u>	<u>-</u>	<u>1,028,746</u>
CHANGE IN NET ASSETS	45,824	49,000	94,824	935	(52,582)	(51,647)
NET ASSETS - beginning of year	<u>2,255,619</u>	<u>29,000</u>	<u>2,284,619</u>	<u>2,254,684</u>	<u>81,582</u>	<u>2,336,266</u>
NET ASSETS - end of year	<u>\$ 2,301,443</u>	<u>\$ 78,000</u>	<u>\$ 2,379,443</u>	<u>\$ 2,255,619</u>	<u>\$ 29,000</u>	<u>\$ 2,284,619</u>

See accompanying auditors' report and notes to financial statements.

RIDE ON LA
(A California Non-Profit Corporation)
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Program Services	Support Services	Fund- raising	2019 Total Expenses	Program Services	Support Services	Fund- raising	2018 Total Expenses
Expenses								
Accounting	\$ -	\$ 12,025	\$ -	\$ 12,025	\$ -	\$ 11,975	\$ -	\$ 11,975
Auto	4,950	-	-	4,950	4,642	-	-	4,642
Dues and fees	457	-	-	457	475	106	-	581
Education and training	12,734	-	-	12,734	9,803	-	-	9,803
Equipment rental and maintenance	-	-	8,984	8,984	-	-	14,834	14,834
Feed	142,456	-	-	142,456	88,688	-	-	88,688
Financial aid	32,950	-	-	32,950	41,041	-	-	41,041
In-kind, professional services	33,119	-	-	33,119	12,000	-	-	12,000
In-kind, rent	64,000	-	-	64,000	60,000	-	-	60,000
In-kind, repairs and maintenance	-	-	-	-	2,000	-	-	2,000
Insurance	28,524	-	-	28,524	25,535	-	-	25,535
Interest	33,450	-	-	33,450	27,726	-	-	27,726
Leased employees	422,679	39,538	29,389	491,606	326,357	35,665	29,090	391,112
Miscellaneous	1,610	-	2,799	4,409	-	-	-	-
Office expense	31,107	16,151	-	47,258	25,690	14,642	-	40,332
Outside services	-	-	17,440	17,440	-	-	16,162	16,162
Postage	247	346	-	593	427	219	-	646
Printing	-	-	8,220	8,220	-	-	9,339	9,339
Professional fees	245	-	-	245	2,313	-	-	2,313
Program development	115	-	-	115	2,490	-	-	2,490
Provision for bad debt	5,908	-	3,000	8,908	6,145	-	-	6,145
Public relations	9,217	-	-	9,217	3,085	-	-	3,085
Recognition	3,349	-	-	3,349	704	-	-	704
Rent	22,180	-	-	22,180	21,795	-	-	21,795
Repairs and maintenance	94,043	-	-	94,043	39,431	-	-	39,431
Shoeing, tack and equipment	27,689	-	-	27,689	15,105	-	-	15,105
Supplies	24,481	2,247	3,490	30,218	17,043	1,913	3,620	22,576
Taxes	367	-	-	367	472	-	-	472
Telephone	5,799	-	-	5,799	6,022	915	-	6,937
Utilities	40,010	-	-	40,010	30,031	-	-	30,031
Veterinary expense	5,758	-	-	5,758	8,314	-	-	8,314
Volunteer expense	3,539	-	-	3,539	3,493	-	-	3,493
	<u>1,050,983</u>	<u>70,307</u>	<u>73,322</u>	<u>1,194,612</u>	<u>780,827</u>	<u>65,435</u>	<u>73,045</u>	<u>919,307</u>
Depreciation and amortization	<u>105,150</u>	<u>-</u>	<u>-</u>	<u>105,150</u>	<u>109,439</u>	<u>-</u>	<u>-</u>	<u>109,439</u>
Total Expenses	<u>\$ 1,156,133</u>	<u>\$ 70,307</u>	<u>\$ 73,322</u>	<u>\$ 1,299,762</u>	<u>\$ 890,266</u>	<u>\$ 65,435</u>	<u>\$ 73,045</u>	<u>\$ 1,028,746</u>

See accompanying auditors' report and notes to financial statements.

RIDE ON LA
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 94,824	\$ (51,647)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	105,150	109,439
Provision for bad debt	8,908	6,145
(Gain) loss on sale of fixed assets	(3,100)	-
(Increase) decrease in:		
Grants and fees receivable, net of allowance	(43,103)	30,423
Promises to give, net of allowance	3,000	750
Increase (decrease) in:		
Accounts payable and accrued expenses	19,296	(11,767)
Accrued payroll and related liabilities	14,242	7,136
Deferred revenue	8,984	6,052
	<u>113,377</u>	<u>148,178</u>
Total adjustments		
Net Cash Provided (Used) by Operating Activities	208,201	96,531
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments related to the acquisition of property and equipment	<u>(39,691)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>(39,691)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for purchases of property and equipment	-	(25,192)
Proceeds from borrowings of mortgage payable	-	650,000
Repayments of mortgage payable	<u>(13,404)</u>	<u>(655,683)</u>
Net Cash Provided (Used) by Financing Activities	<u>(13,404)</u>	<u>(30,875)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	155,106	65,656
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>175,216</u>	<u>109,560</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 330,322</u>	<u>\$ 175,216</u>
Non-cash activities disclosure:		
In-kind contributions	<u>\$ 97,119</u>	<u>\$ 74,000</u>
Supplemental disclosure:		
Interest expense	<u>\$ 33,450</u>	<u>\$ 27,726</u>

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. ORGANIZATION

Ride On LA was founded in 1994 pursuant to the California Non-Profit Public Benefit Corporation laws and conducts its activities exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the U.S. Internal Revenue Code of 1954 under which it is qualified as a tax-exempt organization.

Ride On LA was organized to promote the welfare of children and adults with any type of disability or mental illness and “at risk” youth by means of therapeutic horseback riding, Hippotherapy (physical/occupational/speech therapy using the movement of the horse to improve specific medical conditions) and by instruction in related social, vocational and recreational activities.

Ride On LA’s program serves approximately 250 riders each week at two ranches in Los Angeles and Ventura Counties. The program is nationally accredited by PATH International, and the teaching staff includes 9 certified instructors and 6 licensed therapists assisted by over 30 horses. Ride On LA remains the only nationally-accredited program in Ventura county and the only such program which brings a Physical Therapist to a ranch to use the horses’ movement to improve specific medical conditions. In its 25-year history, Ride On LA has given over 121,000 lessons and physical therapy treatments to children as young as 2 and adults over the age of 80.

During the year ended December 31, 2019, Ride On LA gave over 7,500 lessons and treatments benefitting from the work of over 470 volunteers who donated over 14,600 hours of service. About half of the riders have physical disabilities and half are intellectually disabled; many have multiple handicaps requiring extensive staff and volunteer support. About seventy-five percent of the riders are children. Ride On LA operates three facilities: two small ranches in Chatsworth comprising 5-acres total, and a 13-acre park site in Newbury Park operated in partnership with the Conejo Recreation and Park District. In August 2019 the City of Thousand Oaks invited Ride On to manage the Rancho Potrero Community Equestrian Center on an interim basis.

In early 2019 the City of Thousand Oaks approached Ride On LA to assume responsibility for a 20-acre equestrian facility in Newbury Park on an interim basis. On August 1, 2019 Ride On LA assumed management of the Rancho Potrero Community Equestrian Center for a six-month period which was subsequently twice extended through December 31, 2020. Ride On LA has proposed a Community Equestrian Education Center at Rancho Potrero aligned with our mission for all abilities operating in partnership with the Conejo Recreation and Park District, other nonprofits and educational institutions. In early 2020 the City expressed its desire to enter into such a partnership with Ride On LA on a long-term basis. Ride On LA is currently negotiating that agreement.

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

2. GRANTS AND FEES RECEIVABLE, NET OF ALLOWANCE

Grants and fees receivable at December 31, 2019 consist of the following:

	Amount
Fees receivable	\$ 52,104
Total fees receivable	52,104
Less allowance for uncollectible fees receivable	(7,421)
Net grant and fees receivable at December 31, 2019	<u>\$ 44,683</u>

Ride On LA completed construction of an Education and Therapy Building in June of 2016 partially funded by two grants from the City of Los Angeles. These grants provide for a right of recapture should Ride On LA cease to furnish continuous service for a 6-year period following completion of the related building project. The recapture right is evidenced by a secured promissory note, which was executed on September 16, 2015 and November 4, 2015. These notes, in the amounts of \$400,000 and \$250,000 respectively, will be reduced over a six year period as Ride On LA delivers service as required under the terms of the grant from the City of Los Angeles. The \$650,000 promissory note will be reduced ratably over the next 26 calendar quarters. Each quarter Ride On LA submits documentation to the City satisfying its service payback requirement. Management estimates that Ride On LA's failure to meet the Service Payback provisions of the grant is remote. By December 31, 2019 Ride On LA had submitted 14 quarterly reports of the 26 required.

	Amount
Note due City of Los Angeles	\$ 650,000
Service Payback through 12/31/2019	(350,000)
Balance Service Payback as of 12/31/2019	<u>\$ 300,000</u>

3. PROMISES TO GIVE, NET OF ALLOWANCE

Unconditional promises to give are measured as Level 1 inputs using market prices and are stated at fair value. Promises to give at December 31, 2019 are as follows:

	Level 1
Receivable in less than one year	\$ 2,250
Receivable in one to five years	-
Total unconditional promises to give	2,250
Less allowance for uncollectible promises to give	(110)
Less unamortized discount-at 5%	(127)
Net unconditional promises to give at December 31, 2019	<u>\$ 2,013</u>

The promises to give were discounted, using an interest rate of 5%, to reflect net present value. The unamortized discount is based on a risk free rate and additional market risk factor.

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

4. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at December 31, 2019:

	<u>Amount</u>
Buildings	\$ 2,192,892
Horses	63,760
Land	859,661
Leasehold Improvements	468,436
Machinery and Equipment	<u>323,065</u>
	3,907,814
Accumulated Depreciation	<u>(1,185,746)</u>
Total Property and Equipment, net	<u>\$ 2,722,068</u>

Total depreciation expense for the year ended December 31, 2019 is \$105,150.

5. DEFERRED REVENUE

During the year ended December 31, 2019 Ride On LA collected funds in the amount of \$10,227 for riding dues. The activity for the year ended December 31, 2019 for deferred revenue is as follows:

	<u>Amount</u>
Beginning balance at December 31, 2018	\$ 10,203
Additions	10,227
Reductions	<u>(1,243)</u>
Ending balance at December 31, 2019	<u>\$ 19,187</u>

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

6. MORTGAGE PAYABLE

In April 2008 Ride On LA purchased an operating facility in Chatsworth, California for \$1,113,001 and obtained a related mortgage of \$824,250. This mortgage was refinanced in April 2018 in the amount of \$650,000 with interest fixed at 5.18% and monthly payments of \$3,904 per month for a period of 10 years. Interest costs incurred during the year end December 31, 2019 were \$33,450. The balance owed at December 31, 2019 was \$629,570.

Minimum annual anticipated principal payments under the mortgage payable at December 31, 2019 are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2020	\$ 46,853
2021	46,853
2022	46,853
2023	46,853
2024	46,853
Thereafter	<u>395,305</u>
Total	<u>\$ 629,570</u>

7. SOURCES OF SUPPORT

Sources of contributions received are as follows for the year ending December 31, 2019:

Without Donor Restrictions:	<u>Amount</u>
Corporations	\$ 2,350
Foundations	11,000
Individuals	<u>148,209</u>
Total Sources of Support Without Donor Restrictions	<u>\$ 161,559</u>
With Donor Restrictions:	
Corporations	\$ -
Foundations	105,000
Individuals	<u>-</u>
Total Sources of Support With Donor Restrictions	<u>\$ 105,000</u>

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

8. FUNDRAISING EVENTS

Ride On LA conducted various special events and formalized its capital fundraising activities during the year. The revenue and expenses for these fund development activities for the year ended December 31, 2019 were as follows:

	<u>Revenue</u>	<u>Expenses</u>	<u>Net Revenue</u>
Capital Campaign	\$ 1,100	\$ -	\$ 1,100
Special Events	<u>294,317</u>	<u>(40,933)</u>	<u>253,384</u>
Total	<u>\$ 295,417</u>	<u>\$ (40,933)</u>	<u>\$ 254,484</u>

9. IN-KIND CONTRIBUTIONS

For the year ended December 31, 2019, Ride On LA recorded total in-kind contributions of \$97,119.

In-kind contributions are recorded at their fair market value; at December 31, 2019 consist of the following:

Legal Services	\$ 21,119
Professional IT Services	12,000
Rent – CRPD Walnut Grove Equestrian Ctr.	<u>64,000</u>
Total In-Kind Contributions	<u>\$ 97,119</u>

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2019 consist of amounts restricted by donor-imposed stipulations, and are available for the following purposes:

Funding Source	Balance at 12/31/18	Income	Expenditures	Balance at 12/31/19
Capital Campaign	\$ 9,000	\$ -	\$ -	\$ 9,000
City of Thousand Oaks	-	10,000	-	10,000
Conejo Recreation and Park District	-	25,000	-	25,000
County of Ventura	4,000	-	-	4,000
Direct Relief	-	25,000	(25,000)	-
Samuelsson Foundation	-	25,000	(10,000)	15,000
Sherwood Cares Foundation	5,000	20,000	(10,000)	15,000
Variety – the Children’s Charity	11,000	-	(11,000)	-
Total	<u>\$ 29,000</u>	<u>\$ 105,000</u>	<u>\$ (56,000)</u>	<u>\$ 78,000</u>

Expenditures of donor-restricted net assets during the year ended December 31, 2019 were:

Grant	Expense Purpose	Amount
Direct Relief	Wildfire and Emergency Preparedness	\$ 25,000
Samuelsson Foundation	Scholarships – Ventura County	10,000
Sherwood Cares Foundation	Scholarships for Ventura County Children	10,000
Variety – the Children’s Charity	Scholarships for Youth	11,000
Total Expenditures		<u>\$ 56,000</u>

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

11. COMMITMENTS

Ride On LA is obligated under one equipment, and two operating facility leases. The equipment lease for two copiers is for \$405 a month and will expire in March 2024. The Chatsworth facility lease, for a two-acre ranch where it has operated since 1994, expires in October 2023. In February 2018, Ride On LA renewed this lease for an additional five year period with an annual cancellation provision after October 31, 2019. The Thousand Oaks lease is for exclusive use of a thirteen-acre park site owned by Conejo Recreation and Park District. This lease cost is \$40 per year for a 40-year period expiring in July 2040 but is renewable annually. Management estimates the fair value of this contributed lease at \$64,000 annually.

Minimum annual anticipated payments under the facility leases are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2020	\$ 22,670
2021	23,090
2022	23,510
2023	<u>19,890</u>
Total	<u>\$ 89,160</u>

Total rental expense, including in-kind, for the year ended December 31, 2019 was \$86,180. Total rental expense for equipment for the year ended December 31, 2019 was \$4,860 and is included in office expenses on the combined statements of functional expenses.

12. CONTINGENCIES

COVID-19

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time.

RIDE ON LA
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

13. LIQUIDITY AND FUNDS AVAILABLE

The total financial assets held by Ride On LA at December 31, 2019 and the amount of those financial assets that could be made available for general expenditure within one year of the date of the statement of financial position are summarized in the following table:

	December 31, 2019
Financial assets	
Cash and cash equivalents	\$ 330,322
Grants and fees receivable, net of allowance	44,683
Promises to give, net of allowance	2,013
Total financial assets	\$ 377,018
Less donor-imposed restrictions:	
Designated Funds	(78,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 299,018

In addition to existing financial assets available to meet general expenditures within one year Ride On LA receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Ride On LA manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Ride On LA has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 60 days operating expenses and has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets at 60 to 90 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves ring the year ended December 31, 2019 the level of liquidity and reserves was managed within the policy requirements.

14. FINANCIAL AID

Ride On LA has adopted a policy of providing ridership services to certain designated individuals at no cost to them. The related billed receivables are forgiven, upon approval, and recognized as Financial Aid expense in the Statement of Functional Expenses. Beyond that, Ride On LA gave scholarships ranging from free lessons to ½ price for over 1,600 lessons or treatments, about 25% of all lessons. Thirty-four individuals and three foundations donated over \$85,000 directly to support these vital scholarships. Total estimated scholarship expense for the year ending December 31, 2019 is \$32,950.

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(CONTINUED)

15. CONCENTRATION RISK

The majority of Ride On LA's contributions and grants are received from corporations, foundations, and individuals located in the greater Los Angeles metropolitan area and from agencies of the state of California. As such, Ride On LA's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for Ride On LA's services.

16. SUBSEQUENT EVENTS

Ride On LA has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2019 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 18, 2020, the date these financial statements were available to be issued. The following material events or transactions were noted to have occurred:

In early March, the COVID-19 virus was declared a global pandemic, and it unfortunately continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

In May 2020 the Organization entered into an unsecured promissory note for a loan (the "PPP Loan") in the principal amount of \$118,730 and received cash proceeds of the same amount, pursuant to the Paycheck Protection Program (the "PPP") under the Federal Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was enacted March 27, 2020. The PPP is administered by the U.S. Small Business Administration. Under the terms of the PPP, borrowers may be eligible for loan forgiveness if the funds are used for eligible payroll costs, payments on business mortgage interest payments, rent, or utilities during either the 8 or 24 week period after disbursement. Management estimates that Ride On LA's failure to meet the loan forgiveness requirements is remote.

On November 2, 2020 the owners of the 2-acre facility where Ride On LA began operating in 1996 notified Ride On LA of their desire to sell the property. In accordance with the provisions of the lease, that lease will terminate on February 1, 2021.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ride On LA prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America for. The significant accounting and reporting policies used by Ride On LA are described below to enhance the usefulness and understandability of the financial statements.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Net assets without donor restrictions.* Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- *Net assets with donor restrictions.* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Ride On LA's unspent contributions are classified in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by Ride On LA, unless the donor provides more specific directions about the period of its use.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to net assets with donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

RIDE ON LA
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NOTES TO FINANCIAL STATEMENTS
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17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

Cash and cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature. At year-end, and throughout the year, Ride On LA's cash balances, deposited in one bank, exceeded federally insured limits. Management believes Ride On LA is not exposed to any significant credit risk on cash and cash equivalents.

Grants and Fees Receivable, Net of Allowance

Receivables consist of grants from the City of Thousand Oaks, the Conejo Recreation and Park District, and fees receivable due from riding lessons. Any amount that is denied for reimbursement is written off when the Institute receives notification from the grantor agency. Management provides for probable uncollectible amounts through a provision for bad debt and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. As of December 31, 2019, Ride On LA has made a provision of \$7,421 for possible uncollectible or disallowed revenues.

Promises to Give, Net of Allowance

Promises to give were recognized at fair value of the promise. Management provides for probable uncollectible amounts through a provision for an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. In management's opinion, all promises to give were collectible at year-end. As of December 31, 2019, Ride On LA has made a provision of \$110 for possible uncollectible promises to give.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deposits and Prepaid Expenses

Prepaid deposits and other costs are expensed ratably over their respective terms of agreement.

Property and Equipment, Net

Land, buildings, building improvements, property, and equipment consist of the cost of fixed assets which are depreciated on the straight-line method over their estimated useful lives. Fully depreciated assets are retained in the accounts until their retirement. Purchases of small items are expensed as acquired. All land, buildings, and property are capitalized. Equipment with an estimated life that exceeds one year and with a cost greater than \$1,000 must be capitalized.

The estimated useful lives of the assets are as follows:

Buildings	30 to 39 years
Horses	5 to 10 years
Leasehold improvements	15 years
Machinery and equipment	5 to 10 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Vacation Policy

Accrued vacation benefits are accrued on a monthly basis. Full-time employees accrue vacation time based upon years of service to Ride On LA as follows:

<u>Years Employed</u>	<u>Annualized Accrual</u>
0 - 5 years	Two Weeks
6 -10 years	Three Weeks
11+ years	Four Weeks

Unused vacation leave will be paid at the time of termination. Total accrued vacation at December 31, 2019, was \$27,155.

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17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Revenue

Deferred revenue represents revenues collected but not earned as of December 31, 2019.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent donor restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributed Goods and Services

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Salaries, Related Expenses and Leased Employees

Since April 2006, salaries, payroll taxes and employee benefits are reported as Leased employees. Ride On LA's employees became leased employees to improve employee benefits, while reducing costs and administration. Total salaries, related expenses and leased employees were \$491,606 for the year ended December 31, 2019.

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17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expense Recognition and Allocation

The cost of providing Ride On LA's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of Ride On LA.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Ride On LA generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Income Taxes

Ride On LA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. Ride On LA is also exempt from federal unemployment tax. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Ride On LA has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended December 31, 2019, Ride On LA had no material unrecognized tax benefits, tax penalties or interest.

Ride On LA's Forms 990, *Return of Organization Exempt from Income Tax*, for each of the tax years ended December 31; 2018, 2017, and 2016, are subject to examination by the IRS, generally for 3 years after they were filed.

RIDE ON LA
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, Ride On LA's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Ride On LA's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2018 comparative totals have been reclassified to conform with the 2019 reporting format.

Comparative Totals

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Ride On LA's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Accounting Pronouncements Adopted

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2019. There was no financial effect of adopting the new accounting principles on contributions for the year ended December 31, 2019.

In May 2014, the FASB issued ASU 2016-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2016-09 outlines a single, comprehensive model for companies to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. The change in accounting principle was adopted on the retrospective basis which resulted in no change to revenue previously reported and, also had no effect on the revenue recognized for the year ended December 31, 2019.

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17. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurement

Ride On LA reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which Ride On LA has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and accounts receivable approximate fair value because of the terms and relatively short maturity of these financial instruments.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments.

When available, Ride On LA measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.